

STATE OF VERMONT GREEN MOUNTAIN CARE BOARD

In re: MVP Health Plan's Third and Fourth) GMCB-06-17-rr
Quarter 2017 Large Group HMO Rate Filing)

MEMORANDUM IN LIEU OF HEARING

I. Introduction and Background

In this filing, MVP Health Plan (MVP) has proposed changes including an increase in the trend applied to experience-rated groups for its Large Group Health Maintenance Organization (HMO) products renewing in the third and fourth quarters of 2017. The manual rate proposed in this filing was previously approved in a previous filing covering 2017. GMCB 011-16rr.

There are currently no MVP large HMO groups affected by the filing. The proposed rule would affect any groups that purchase plans in either the third or the fourth quarter of 2017.

MVP filed this Third and Fourth Quarter 2017 Large Group HMO Filing on March 28, 2017. The analysis of the filing includes an abbreviated actuarial opinion by Lewis and Ellis (L & E), the contracted actuaries for the Green Mountain Care Board (GMCB), submitted on May 26, 2017 and a review of financial solvency by the Department of Financial Regulation (DFR) submitted on May 17, 2017.

The Office of the Health Care Advocate (HCA) entered an appearance pursuant to GMCB Rule 2.000 §§2.105(b) and 2.303. The hearing for the filing has been waived by the parties.

II. Standard of Review

Health maintenance organizations operating in Vermont must obtain approval from the GMCB before implementing health insurance rates. 8 V.S.A. §5104(a), 8 V.S.A. §4062(a). The GMCB may approve, modify, or disapprove requests for health insurance rates. 18 V.S.A.

§9375(b)(6); 8 V.S.A. §4062(a). “In deciding whether to approve, modify, or disapprove each rate request, the Board shall determine whether the requested rate is affordable, promotes quality care, promotes access to health care, protects insurer solvency, is not unjust, unfair, inequitable, misleading, or contrary to law, and is not excessive, inadequate, or unfairly discriminatory.” GMCB Rule 2.000 §2.301(b); GMCB Rule 2.000 §2.401; 8 V.S.A. §4062(a)(3).

In making its decision, the GMCB must consider the requirements of the underlying statutes, changes in health care delivery, changes in payment methods and amount, the Solvency Analysis prepared by DFR in connection with each filing and other issues at the discretion of the GMCB. GMCB Rule 2.000 §2.401; *see also* 18 V.S.A. §9375(b)(6). Further, the GMCB “shall consider any [public] comments received on a rate filing and may use them to identify issues.” GMCB Rule 2.000 §2.201(d). The record for rate review includes the entire SERFF filing submitted by the insurer, questions posed by the GMCB to its actuaries, questions posed to the insurer by the GMCB, its actuaries and DFR, DFR’s Solvency Analysis, and the Opinion from the GMCB’s actuary. GMCB Rule 2.000 §2.403(a).

The carrier has the burden of justifying its requested rate. GMCB Rule 2.000 §2.104(c).

III. Review of Actuarial Opinion and DFR Solvency Analysis Letter

DFR has reviewed both the solvency of MVP and how the particular filing could affect that solvency. DFR has emphasized in its analysis that it “considers the solvency of insurers to be the most fundamental aspect of consumer protection” and that solvency analysis involves “an intricate analysis of many factors.” New York rather than Vermont is MVP’s primary regulator and has “not expressed any concerns to DFR about MVPHP’s solvency.” The company’s Vermont operations, representing only a small percentage of the total premiums written, “pose

very little risk to its solvency.” DFR has opined that “the proposed rate will likely the impact of sustaining MVPHP’s current level of solvency.” DFR Solvency Analysis at page 2.

L & E has opined that the proposed rates should be modified to better reflect the carrier’s assumptions. Their recommendation is outlined at page 6 of their Analysis.

IV. Argument

The L & E analysis of this rate filing does not include any discussion of some of the factors considered by the GMCB in deciding whether to accept, modify or reject proposed rates, i.e. whether those rates will be affordable, promote quality care and promote access to health care. These criteria were first incorporated into the rate review process as part of Act 48, An act relating to a universal and unified health system, of the 2011-2012 legislative session.

Because the proposed rate increase requested in this filing will be difficult for policyholders to afford, the increase should be kept to the lowest possible level. A significant portion of employed Vermonters struggle to afford their health insurance. According to the DFR 2014 Vermont Household Health Insurance Survey, almost 60% of uninsured working Vermont residents report that they did not enroll in their employer’s health plan because it was too expensive. Comprehensive Report, 2014 Vermont Household Health Insurance Survey at page 46. Almost a quarter of uninsured adults work for employers that offer health insurance, and slightly more than a quarter of working adults with uninsured children work for companies that offer some type of health insurance. Survey at pages 13, 24

Most Vermonters who have employer sponsored health insurance that they find to be unaffordable do not have other insurance options. Federal rules disqualify most people who are offered employer sponsored health insurance from receiving premium subsidies for health insurance purchased on the state health insurance exchange. Unless the actuarial value of the

employer sponsored insurance is below 60% or the employee's share of the premium to cover just the employee (not including the expense of covering family members) exceeds 9.5% of the employee's income, the employee is not eligible to receive premium tax credits through the state insurance exchange. Survey at page 38.

Wages in Vermont have not increased enough in recent years to allow Vermonters to afford the increase in insurance costs requested in this filing. Average wages in Vermont increased only 1.9% between 2015 and 2016 according to recent statistics from the Vermont Department of Labor. <http://www.vtlmi.info/indareanaics.cfm?areatype=01>

The May 12, 2017 Consumer Price Index (CPI) Summary shows increases in prices that are far lower than the requested rate increase. For all items the CPI increased only 2.2% over the 12 months up to April 2017. The increase for medical care commodities was 2.6% and the increase for medical care services was 3.1%. <https://www.bls.gov/news.release/cpi.nr0.htm>

Increases in premium costs for employer sponsored health insurance plans are very difficult for employers to absorb. The increases are typically passed on to the employees through increased employee contributions to insurance or through lost wages, or both. Sarah Kliff, The Washington Post, You're Spending Way More on Your Health Benefits than You Think, August 30, 2013.

MVP has requested a 2% contribution to surplus in this filing. SERFF filing at page 53. The carrier has not provided any explanation whatsoever for why this level is needed and has therefore not met its burden of proof as to this component of the rate request.

In order to further promote affordability, the HCA asks the GMCB to reduce the contribution to surplus to no more than 1%. The anticipated federal medical loss ratio (MLR) for the rates proposed in the filings is 86.5%, slightly above the minimum MLR of 85%. SERFF filing at

page 57. In addition, as described in the DFR solvency analysis, the filing represents a very small proportion of MVP's business in Vermont and an even smaller proportion of the carrier's overall business.

V. Conclusion

Based on the record for this filing, the HCA requests that the GMCB modify the rate increase by decreasing the contribution to surplus to no more than 1%.

Dated at Montpelier, Vermont this 9th day of June, 2017.

s/ Lila Richardson
Lila Richardson
Staff Attorney
Office of the Health Care Advocate

CERTIFICATE OF SERVICE

I, Lila Richardson, hereby certify that I have served the above Memorandum on Judith Henkin, General Counsel to the Green Mountain Care Board, Noel Hudson, Health Policy Director of the Green Mountain Care Board, and Susan Gretkowski, representative of MVP, by electronic mail, return receipt requested this 9th day of June, 2017.

s/ Lila Richardson
Lila Richardson
Staff Attorney
Office of the Health Care Advocate
P.O. Box 606
Montpelier, Vt. 05601
Voice: (802) 229-2027